

Message Text

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67

ACTION EB-11

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INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

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OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 EUR-25 EA-11

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R 301805Z APR 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 5345

UNCLAS SAN SALVADOR 1688

E.O. 11652 NA

TAGS: EIND; EFIN; ES

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. SAN SALVADOR A-38 OF APR , 73; B. STATE 053993

1. THE NARRATIVE STATEMENT PROVIDED AS AN ATTACHMENT TO
REFAIR IS STILL VALID EXCEPT FOR THE FIRST PARAGRAPH. PLEASE
SUBSTITUTE, REPEAT SUBSTITUTE, THE FOLLOWING FOR THE FIRST
PARAGRAPH OF THE NARRATIVE SUBMITTED IN 1973;
QUOTE PRES MOLINA, IN HIS INAUGURAL ADDRESS IN JULY 1972,
SAID "FOREIGN INVESTMENT WILL BE WELL RECEIVED...IN THOSE
AREAS IN WHICH IT DOES NOT DISPLACE NATIONAL BUSINESSES."
THE AMBITIOUS PUBLIC SECTOR INVESTMENT PLAN FOR THE FIVE YEARS
1973-77 OF ROUGHLY \$70 MILLION A YEAR SHOULD PROVIDE A
FAVORABLE ENVIROMENT FOR FOREIGN INVESTMENT. ECONOMIC GROWTH
DURING 1970-73 AVERAGED 4.7 PERCENT IN REAL TERMS, GROWTH OF
TOTAL CAPITAL FORMATION IS MODERATELY STRONG, AND THE GOVT
IS TAKING A LIBERAL POSITION ON EXTERNAL BORROWINGS FOR
PRODUCTIVE INVESTMENTS. THE GOVT IN 1974 BEGAN AN
EXTENSIVE PROMOTION TO ATTRACT FOREIGN INVESTMENT, ESPECIALLY
IN MANUFACTURING FOR EXPORT TO THIRD COUNTRIES; INDUSTRIAL
FREE ZONES ARE PLANNED. SIGNIFICANT NEW US INVESTMENT
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ENTERED THE COUNTRY IN 1973 FOR THIS TYPE OF PRODUCTION AND

THE NUMEROUS ADVANCED PLANS FOR SIMILAR INVESTMENTS PROMISE ACCELERATED CAPITAL INFLOWS. OF THE ESTIMATED \$162 MILLION (BOOK VALUE) OF DIRECT FOREIGN INVESTMENT IN EL SALVADOR AS OF 1972, THE US ACCOUNTED FOR \$94 MILLION, OR 58 PERCENT. DOMESTIC SECURITY, PUBLIC SERVICES, AND LABOR FACTORS ARE GENERALLY GOOD AND SHOULD NOT PRESENT SERIOUS IMPEDIMENTS TO INVESTMENT. ALTHOUGH THE LABOR FORCE IS PLENTIFUL AND ENERGETIC, INVESTORS SHOULD ANTICIPATE TRAINING PROGRAMS FOR MOST SKILLS. END QUOTE.

2. IN 1973 THIS POST WAS NOT ASKED FOR THE STATISTICS REQUESTED UNDER PAR. 8A. OF REFTEL. REFAIR DESCRIBED THE DIFFICULTY IN OBTAINING BOOK VALUE DATA SINCE ALL THAT ARE AVAILABLE ARE THE GENERALLY RELIABLE DATA OF CAPITAL REGISTRATIONS OBTAINED FROM THE MINISTRY OF ECONOMY. EMBASSY BEST GUESSTIMATE, USING THESE CAPITALIZATION DATA, THE EMBASSY'S 1969 SURVEY AND BUSINESS INTELLIGENCE IS REPRESENTED IN THE FOLLOWING;

A. US DIRECT INVESTMENT AT END 1972 (\$MILLION)

TOTAL 94, MANUFACTURING 45.5, MINING/SMELTING 1.5, OTHER 13, PETROLEUM 34.

B. DIRECT INVESTMENT BY ALL COUNTRIES IN EL SALVADOR AT END 1972

(\$MILLIONS):

TOTAL 162

US (58 PERCENT 94

I. CANADA 18

II. JAPAN 16.5

III. MEXICO 6

C. SALVADORANS (AS REPORTED REFAIR) BY LAW ARE NOT

PERMITTED TO INVEST OUTSIDE THE CENTRAL AMERICAN COMMON MARKET;

HENCE NO RECORDED INVESTMENT IN THE US.

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